

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 ACDA-07 CIAE-00 INR-07 IO-13 L-03

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R 020912Z SEP 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9783

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E.O. 11652: NA

TAGS: TECH, ENRG, EFIN, RP

SUBJECT: GOP REVIEW OF NUCLEAR POWER PROJECT IN WAKE OF MINDANAO
EARTHQUAKE

SUMMARY. PRESIDENT MARCOS HAS ORDERED A THOROUGH REVIEW OF THE DESIGN CRITERIA FOR THE NUCLEAR POWER PLANT AND HAS DEMANDED WRITTEN ASSURANCES FROM WESTINGHOUSE THAT IT IS EARTHQUAKE PROOF. THIS EXERCISE IS POLITICALLY MOTIVATED AND IS AIMED AT ASSURING THE CITIZENRY OF THE SAFETY OF THE NUCLEAR PROJECT IN THE WAKE OF THE RECENT MINDANAO EARTHQUAKE. THE CONSENSUS OF THOSE CLOSEST TO THE PROJECT LOCALLY IS THAT AFTER SUFFICIENT PUBLIC POSTURING BY MARCOS, AND ASSURANCES BY WESTINGHOUSE, THE NUCLEAR POWER PROJECT WILL BE DECLARED SAFE AND WILL PROCEED ON SCHEDULE. END SUMMARY.

1. IN A TELEVISED CABINET MEETING/PRESS CONFERENCE ON AUGUST 22, PRESIDENT MARCOS STATED THAT THE DESIGN CRITERIA OF THE NUCLEAR POWER PLANT MUST BE REEVALUATED IN LIGHT OF THE FORCE EIGHT EARTHQUAKE IN MINDANAO. HE ORDERED SECRETARY OF INDUSTRY PATERNO TO REVIEW THE PROJECT DESIGN WITH WESTINGHOUSE TO ASSURE THAT ADEQUATE DESIGN STANDARDS HAD BEEN USED TO PREVENT NUCLEAR ACCIDENTS IN CASE OF AN EARTHQUAKE. IN RESPONSE
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TO A NEWSMAN'S QUESTION THE PRESIDENT CONCEDED THERE

WAS NO REASON WHY THE PHILIPPINES SHOULD NOT DETERMINE THAT ITS NUCLEAR PLANT BE DESIGNED TO WITHSTAND A "MAXIMUM INTENSITY NINE" EARTHQUAKE.

2. ON AUGUST 26 THE NATIONAL POWER CORPORATION SUBMITTED A LETTER TO THE OFFICE OF THE PRESIDENT ASSURING THE PRESIDENT THE NUCLEAR POWER PLANT WAS DESIGNED TO WITHSTAND THE SEVEREST EARTHQUAKE THAT MAY OCCUR IN THE AREA. THE DESIGN BASIS FOR EARTHQUAKE CONSIDERATIONS IS .35 GRAVITY FOR HORIZONTAL GROUND ACCELERATION, WHICH CORRESPONDS TO 7.5 ON THE RICHTER SCALE. THE BASIS FOR THE "SAFE SHUTDOWN EARTHQUAKE" WAS DETERMINED BY EBASCO OVERSEAS CORPORATION, CONSULTANTS OF NPC FOR SITE AND ENVIRONMENTAL INVESTIGATIONS.

3. THE PRESIDENT DID NOT ACCEPT NPC ASSURANCES AND INSISTED THAT WESTINGHOUSE SEND ITS TOP MEN WHO HAVE THE AUTHORITY TO MAKE COMMITMENTS TO HIM PERSONALLY. THE PRESIDENT IN PARTICULAR QUESTIONED THE INTEGRITY OF THE PLANT WITH REGARD TO POSSIBLE RADIOACTIVE SPILLAGE AND LEAKAGE OCCURRING IN EVENT OF EARTHQUAKE DAMAGE.

4. WESTINGHOUSE SENT JOHN TAYLOR, DIRECTOR, POWER WATER REACTORS DIVISION, TO BRIEF THE PRESIDENT. TAYLOR, JOHN WEAVER, WESTINGHOUSE INTERNATIONAL PROJECTS CO., PHILIPPINES, FRANK WIMBERLEY, EBASCO, SECRETARY OF INDUSTRY PATERNO, AND COMMISSIONER IBE OF PAEC, SPENT OVER ONE HOUR WITH MARCOS ON AUGUST 30. THE TECHNICAL ASPECTS OF THE SITE SURVEY, SELECTION, AND DETERMINATION OF DESIGN CRITERIA WERE EXPLAINED IN DETAIL. PHOTOS OF THE SISTER YUGOSLAV CRISTO PLANT UNDER CONSTRUCTION WERE PRESENTED. COMPARISONS WERE DRAWN BETWEEN THIS PLANT AND OTHERS IN EARTHQUAKE PRONE CALIFORNIA AND JAPAN. THE PRESIDENT ASKED FOR A WRITTEN GUARANTEE FROM WESTINGHOUSE OF THE PLANT'S SAFETY. WESTINGHOUSE HAS OFFERED WRITTEN ASSURANCES THAT THE CONTAINER VESSEL WILL SHIELD THE ENVIRONMENT FROM RADIOACTIVITY IN THE EVENT OF EARTHQUAKE DAMAGE TO THE PLANT. BOTH WESTINGHOUSE AND EBASCO HAVE SUBMITTED LIMITED OFFICIAL USE

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WRITTEN SUMMARIES OF THEIR AUGUST 30 ORAL PRESENTATIONS. EACH IS TO PREPARE AND SUBMIT TO THE PRESIDENT ON SEPTEMBER 6 DETAILED IN-DEPTH REPORTS CONTAINING TECHNICAL DATA SUBSTANTIATING THEIR ASSERTIONS.

5. JOHN WEAVER FEELS THE MEETING WITH THE PRESIDENT WENT "RELATIVELY WELL" AND BELIEVES WESTINGHOUSE'S FINAL REPORT WILL BE ACCEPTED. HE STATES THAT THE

PRESIDENT IS FACING "INTERNAL POLITICAL PROBLEMS WITH SECRETARY PATERNO AND OTHERS WHO ASSUME TOO MUCH AUTHORITY". PATERNO IS STILL REPORTEDLY INSISTING ON SOME AS YET TO BE DEFINED "GUARANTEE" FROM WESTINGHOUSE. WESTINGHOUSE HAS LEARNED FROM ITS PALACE CONTACT, HERMINIO DISINI, THAT IT CAN EXPECT A "GO SIGNAL" FROM THE PRESIDENT IN THE END. IT IS IMPORTANT TO NOTE IN THIS CONTEXT THAT DISINI'S COMPANY, HERDIS MANAGEMENT CORPORATION, WHICH IS REPUTED TO BE A FRONT FOR PALACE INTERESTS, OWNS ASIA INDUSTRIES, THE WESTINGHOUSE POWER SYSTEMS AGENT IN THE PHILIPPINES, AND HAS A MAJORITY INTEREST IN POWER CONTRACTORS INC. WHICH HOLDS A \$200 MILLION SUB-CONTRACT WITH WESTINGHOUSE FOR SITE WORK. THERE ARE THUS COUNTERVAILING FORCES AT WORK TO MAKE THIS PROJECT GO.

6. DR. IBE ALSO BELIEVES THIS PROJECT REVIEW IS MORE POLITICAL THAN TECHNICAL, BUT FOR DIFFERENT REASONS. HE NOTES THAT THE PRESS ORIGINALLY BROUGHT THE QUESTION UP WHEN FILIPINOS WERE DRAMATICALLY REMINDED THAT THEY LIVE IN AN EARTHQUAKE PRONE AREA. PRESIDENT MARCOS IS FORCED TO APPEAR TO TAKE EVERY PRECAUTION AS FAR AS THE NUCLEAR PROJECT IS CONCERNED. HE IN TURN HAS PLACED THE RESPONSIBILITY ON WESTINGHOUSE AND EBASCO TO MAKE HIS CASE FOR HIM. IBE IS CONVINCED THAT MARCOS WANTS THE PROJECT AND THAT IT WILL PASS BOTH POLITICAL AND TECHNICAL MUSTER

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IN THE END. HE SAYS THE ASSURANCES BEING DEMANDED BY MARCOS ARE THAT THE PLANT WILL NOT CREATE NUCLEAR POLLUTION EVEN IF DAMAGED BY AN INTENSITY 8 QUAKE, RATHER THAN ASSURANCES OF THE IMPROBABILITY OF SUCH A QUAKE OCCURRING AT THE SITE WHICH ARE NOT CONVINCING TO THE GENERAL PUBLIC. DR. IBE, AS COMMISSIONER OF THE PAEC, IS IN CHARGE OF THE REGULATORY BODY OVERSEEING ALL ASPECTS OF THE PROJECT. HE HAS BEEN ORDERED BY MARCOS TO COORDINATE THIS TECHNICAL REVIEW WITH PATERNO AS WELL.

7. OF EQUAL IMPORTANCE TO THE CONTINUATION OF THIS PROJECT IS THE IMPLICATION FOR THE FINANCING PACKAGE OF THIS REVIEW. NPC SOURCES INFORM US THAT EXIM BANK STOPPED ISSUANCE OF THE LETTER OF CREDIT FOR THE FIRST DRAWDOWN ON THE PROJECT LOAN BECAUSE OF THE EARTHQUAKE REPORT. WE UNDERSTAND NPC GENERAL MANAGER DEL ROSARIO WENT TO THE STATES AND RESOLVED THIS PROBLEM. HOWEVER, DURING AUGUST 30 CABINET MEETING PATERNO PROPOSED AND MARCOS AGREED NOT TO RELEASE THE INITIAL CONTRACT DOWN PAYMENT TO WESTINGHOUSE WHILE THE PROJECT IS BEING RESTUDIED. WEAVER OF WESTINGHOUSE SAYS THAT WITHHOLDING THE DRAWDOWN NOW WOULD HAVE "SERIOUS CONTRACTUAL IMPLICATIONS" AND LOCAL WESTINGHOUSE REPRESENTATIVES ARE CONCERNED ABOUT HOME OFFICE REACTION

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TO ANY UNILATERAL POSTPONEMENT AND/OR ABROGATION OF CONTRACTUAL COMMITMENTS AT THIS STAGE. HOWEVER, WHEN ASKED WHAT IT WOULD TAKE TO GET WESTINGHOUSE TO DROP THE WHOLE PROJECT, HE SAID, QUOTE. A HELL OF A LOT MORE HARRASSMENT THAN WE HAVE HAD SO FAR. END QUOTE.

8. COMMENT: THERE ARE STILL ELEMENTS HERE THAT OPPOSE NUCLEAR POWER AND HAVE SEIZED UPON THIS OPPURTUNITY TO TRY AGAIN TO SQUELCH THE PROJECT. THEY CANNOT PUSH TOO HARD HOWEVER BECAUSE IT IS CLEAR THE PRESIDENT WANTS IT. THE WESTINGHOUSE DOG AND PONY SHOW AND ITS FOLLOW-UP REPORTS WILL PROBABLY GIVE THE PRESIDENT ALL HE NEEDS TO GO TO THE PEOPLE WITH ASSURANCES THE PROJECT IS SAFE. WE ASSUME THE SEPTEMBER 6 DEADLINE FOR THE FINAL WRITTEN ASSURANCES WAS CHOSEN TO COINCIDE WITH THE OPENING OF THE INTERNATIONAL CONFERENCE IN MANILA, QUOTE. SURVIVAL OF HUMANKIND: THE PHILIPPINE EXPERIMENT. END QUOTE. THE DESIGN CRITERIA FOR THE PROJECT WAS SPECIFIED IN THE WESTINGHOUSE/NPC CONTRACT AND ANY DEVIATION FROM THAT WOULD NECESSITATE A REVIEW AND MOST PROBABLY A

COSTLY RENEGOTIATION OF THE CONTRACT. IBE HAS INDICATED THAT THE GOP MAY BE PREPARED TO RENEGOTIATE, BUT HE PREDICTS IT WON'T BE NECESSARY. ALL CONTACTS CLOSE TO THE PROJECT EXPECT TO SEE A STATEMENT ISSUED IN THE NEXT WEEK TO TEN DAYS TO THE EFFECT THAT THE COMPLETE TECHNICAL REEVALUATION AND WESTINGHOUSE WRITTEN ASSURANCES CONFIRM THAT THE NUCLEAR POWER PLANT IS QUAKE PROOF. THERE ARE TOO MANY EXISTING COMMITMENTS TO SCRAP THE PROJECT ALTOGETHER, AND IT WILL BE TOO EXPENSIVE TO REDESIGN IT. END COMMENT.
SULLIVAN

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